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30 June 1981

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MEMORANDUM FOR: Director, National Foreign Assessment Center  
Director of Economic Research  
Chairman, National Intelligence Council  
Director, DCI/DDCI Executive Staff  
Analytical Group, National Intelligence Council

FROM: Director of Central Intelligence

SUBJECT: Global Economic Issues

1. This is a response of how I intend to use the draft paper, "The Changing Global Economic Environment: Implications for Leverage". In the first instance, it would help us target information to be collected and further analysis to be done. I would then hope it would develop into a comprehensive estimate as to what is at stake and what we should be looking for in economic pressures that are being brought upon us and opportunities for us to exert economic leverage to improve our economic and security position in the world.

2. I attach two letters from [redacted], which I consider right on target. They emphasize the paper is heavy on our vulnerability and short on leverage and potential advantages which the strength and diversity of our economy and technology might achieve for us. I also attach a list of questions provided by Leo Cherne which suggests opportunities to incorporate intelligence and analysis which will make the paper respond more effectively to the question, "So what?"

3. As to concern about domestic ramifications and risks and opportunities involved in various policy options, just lay out what we know about what is happening in foreign countries and the world economy and in that context say what needs to be said about how this affects and is affected by domestic policies and about risks and opportunities. Let me do the thinking about as to when and if the paper intrudes indelicately into the policy arena.

4. The questions which Cherne [redacted] suggested in the second indented paragraph on the first page of [redacted] memo should be addressed in terms of the degree to which other countries face these problems and what they do about them. Another example, The New York Times last Saturday, on the first page, had an interesting comparison of the number

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of government employees per thousand population in Japan, Germany, the United States, France, etc. Peter Grace of W. R. Grace and Company, New York, will, on request, make available a large array of such comparative statistics on savings, percent of gross national product spent on government, on research and development, capital investment, productivity, etc. Also, back in 1973-1974, the Department of Commerce was making periodic competitive assessments of industrial countries on these factors. Additional comparisons should be made in such areas as education, research, engineering degrees, basic science, etc. The technology article in this Sunday's Times magazine section may suggest other comparisons.

5. Still other comparisons which could be addressed are:

- oil security, through stockpiling and other methods;
- mineral vulnerability and requirements for stockpiling which we have been asked to address for our own stockpiling program;
- what is being done by other countries in substituting minerals or hydrocarbons through use of coal and gas liquefaction, etc.;
- the degree and the rate to which other countries are going nuclear and the degree to which this can enhance their ability to compete costwise in world markets.

6. The areas in which advances in miniturization, semi-conductors, bubble memories, etc. can provide a decisive competitive advantage in automobiles, machine tools and other manufactured products and should be looked at.

7. In short, I view this exercise as a dragnet to focus analytical attention on economic and technological developments which can impair or strengthen national security and/or economic competitiveness.

8. Obviously, I do not expect all of this from  but I am looking<sup>25X1</sup> to have these and other related questions, anybody thinks pertinent, addressed using the resources of OER, OSWR and any other relevant skills which we have in the intelligence community.

William J. Casey

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Attachments:  
As stated

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